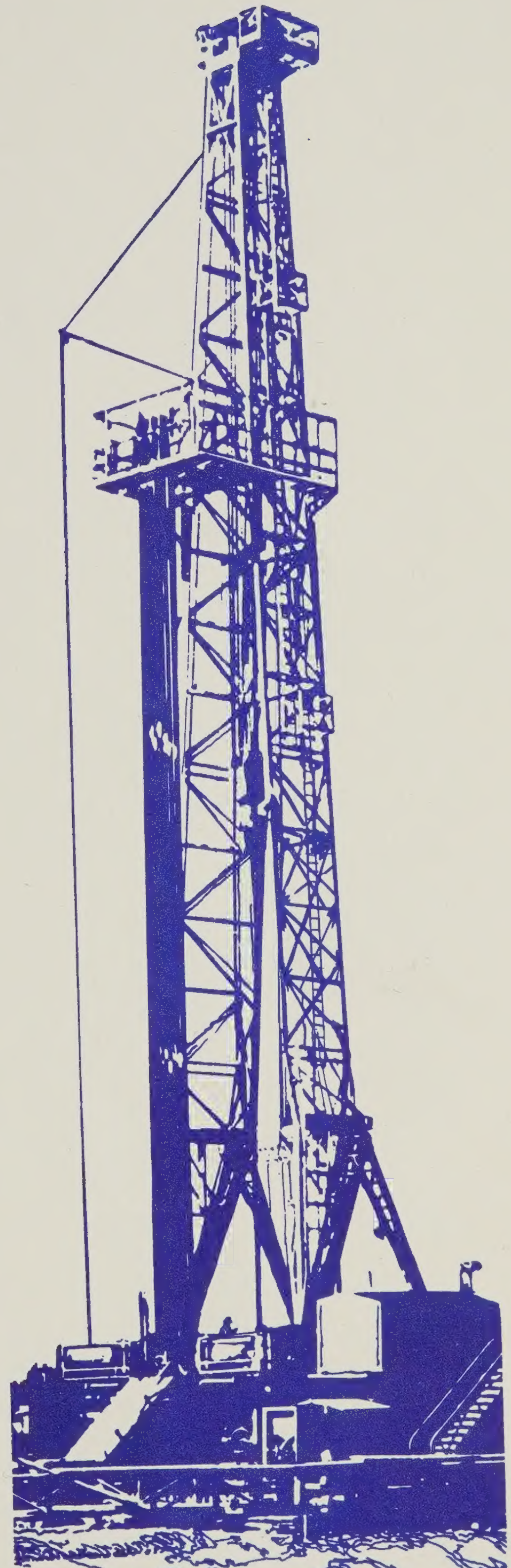
AR03

file

1967 ANNUAL REPORT



ALMINEX
LIMITED

Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Almi0092_1967

ALMINEX LIMITED

Head Office
1502-320 BAY STREET, TORONTO

Calgary Office
609-320 SEVENTH AVENUE S.W.

Ninth Annual Report December 31 1967

DIRECTORS

F. R. BURTON	TORONTO
H. J. FRASER	TORONTO
W. F. JAMES	TORONTO
P. N. PITCHER	TORONTO
J. B. WEBB	CALGARY

OFFICERS

F. R. BURTON	PRESIDENT
W. F. JAMES	VICE-PRESIDENT
J. B. WEBB	VICE-PRESIDENT AND GENERAL MANAGER
J. N. STEPHEN	ASSISTANT GENERAL MANAGER
P. H. POWERS	TREASURER
D. G. C. MENZEL	SECRETARY

TRANSFER AGENT AND REGISTRAR
CROWN TRUST COMPANY
MONTREAL, TORONTO, WINNIPEG, CALGARY AND VANCOUVER

AUDITORS
THORNE, GUNN, HELLIWELL & CHRISTENSON

Five Year Summary

	1967	1966	1965	1964	1963
FINANCIAL					
Gross Production (after royalty)	$ 4,397,132	$ 3,802,247	$ 3,635,583	$ 3,137,220	$ 3,023,022
Net Production Income (after operating costs)	3,877,246	3,332,191	3,237,582	2,763,933	2,688,062
Administrative and General Expense	142,813	145,863	135,936	131,809	149,407
Interest Expense	129,399	142,114	135,691	156,303	187,872
*Exploration Expense	1,074,540	749,111	623,341	641,956	758,424
Depletion, Depreciation and Write-offs	1,107,060	1,072,420	973,734	970,495	1,277,129
Cash Earnings after all cash expenses	2,530,494	2,295,103	2,342,614	1,833,865	1,592,359
Net Income	1,023,434	1,222,683	1,385,445	863,370	315,230
Loans Outstanding (Bank and Other)	1,812,000	2,426,000	2,390,000	2,528,000	3,128,000
OPERATING					
Net Daily Production: Oil and Condensate (barrels)	3,446	3,199	3,025	2,603	2,537
Natural Gas (thousands of cubic feet)	13,400	14,047	14,523	12,704	11,336
Reserves — Net Proven: Crude Oil (barrels)	40,440,000	41,140,000	41,670,000	37,036,000	26,424,000
Natural Gas Liquids (barrels)	4,500,000	4,560,000	3,470,000	2,700,000	2,790,000
Natural Gas (billions of cubic feet)	145.96	149.25	148.06	138.08	140.90
Sulphur (long tons)	244,000	290,000	272,000	181,000	—
**Net Oil Wells	53.25	52.38	52.05	47.68	45.20
**Net Gas Wells	13.07	12.25	10.96	10.66	10.23
Net Acreage	2,707,183	2,691,002	716,527	679,122	338,224

*Includes exploration drilling, dry hole costs, geological, geophysical and unproven property expense.

**Does not include royalty interests.

Report of the Directors

TO THE SHAREHOLDERS:

Your Directors are pleased to present their Report for the year ended December 31, 1967, together with notes on operations and developments on your Company's properties during the past year, and the Financial Statements with the Auditors' report thereon.

THE COMPANY

FINANCIAL

During 1967, your Company's oil production showed a moderate increase and sulphur production a large increase over 1966, resulting in gross revenue after royalties of $4,397,132. Net production income after operating expenses was $3,877,246, an increase of 16.4% over 1966. After deducting administrative and general expense of $142,813, interest charges of $129,399, and exploration costs of $1,074,540, net cash income was $2,530,494, compared to $2,295,103 in 1966, an increase of 10.3%. After providing $1,107,060 for depletion, depreciation and write-offs, and $400,000 for income tax, Alminex had a net income from operations of $1,023,434, compared to $1,222,683 in 1966, a decrease of 16.3%. Dividends of $915,050, or 12¢ per share, were paid to the shareholders.

Up until 1967 no income tax was payable by your Company because of available accumulated write-offs. Unless your Company becomes involved in a large development program, income taxes will be payable in the future.

Capital expenditures totalled $731,940, of which $203,320 was on development, $197,516 on plant facilities, $121,084 on production and other equipment and $210,020 on acquisitions, including a producing gas unit interest. Loans outstanding at December 31, 1967, amounted to $1,812,000, compared to $2,426,000 at the end of 1966.

PRODUCTION

Your Company's production of crude oil plus natural gas liquids (NGL) for 1967, after royalty, averaged 3,446 barrels per day, an increase of 7.7% over 1966. Crude oil totalled 1,070,165 bbls. (6.5% increase) and NGL was 187,591 bbls. (14.7% increase). A fire at the Harmattan Area plant late in March caused a curtailment of NGL production which was not fully resumed until July. Most of the growth in crude oil production occurred at the Swan Hills and Mitsue fields.

Production of natural gas, after royalty, was 4,877 MMcf (million cubic feet) or 13.4 MMcf/day, compared to 5,127 MMcf in 1966, a decrease of 4.8%, which was mainly a reflection of the lower demand by Trans-Canada Pipe Lines Limited at Carstairs and Bindloss. At Pendor, in southern Alberta, temporary loss of the Butte, Montana, market due to the copper industry strike, which commenced in May, seriously curtailed sales. Declining deliverability at Braeburn in northern Alberta also gave rise to a decrease in production. These losses were partly compensated by new production from the Veteran property which became part of the West Provost Unit on February 15, 1967. In July, Alminex purchased an additional interest in this Unit, bringing its share to 6.66%.

Your Company's sulphur production for the year rose significantly to 8,182 long tons compared to 1,411 long tons during 1966, due to a full year's operation at the Harmattan Leduc gas processing plant. The continuing growth in demand both in the North American and overseas markets has resulted in very high prices for sulphur and Alminex's production has become an important source of revenue.

Comparative figures for oil, NGL, natural gas and sulphur production during 1966 and 1967, by fields, are shown in the tables at the end of this report.

RESERVES

Proven reserves of crude oil and natural gas liquids, as of December 31, 1967, after allowing for the year's production of 1,257,756 barrels, were 44,940,000 barrels, a decrease of 1.6% during the past year. Your Company's exploratory drilling in 1967 failed to discover new reserves of oil but found an extension to Marten Hills gas field. Minor discoveries were made on lands farmed out to others in which Alminex holds very small interests.

Proven gas reserves, after deducting 1967 production, were 146 billion cubic feet (Bcf), a decrease of 2% during the year. Proven sulphur reserves were 244,000 long tons, a decrease of 16%, which is chiefly due to recalculation of Harmattan Leduc reserves on the basis of revised reservoir data, plus the deduction of 1967 production.

EXPLORATION

Your Company's exploration program in 1967 involved heavier expenditures than in 1966, chiefly because of the high costs of extensive seismic surveys undertaken on certain of the Meander River lands and on the South Bistcho block, in northern Alberta. Alminex participated in the drilling of 12 exploratory wells, 11 of which were dry holes and one a dual zone gas discovery in the Marten Hills gas area. Six wells were drilled on Company lands farmed out to others, two of which were dry holes, three were gas discoveries and one a small oil discovery, in all of which your Company holds minor interests. Alminex also took part in seismic mapping of a block of lands in the Milestone area of south-central Saskatchewan and similar surveys are in progress this winter on three projects in northwestern Alberta, northeastern British Columbia and the Northwest Territories.

DEVELOPMENT

Your Company participated in the drilling of 10 development wells during 1967 in the Harmattan Leduc, Marten Hills, Medicine River, Mitsue, Swan Hills and West Provost fields. Four of these were successful gas wells, five were successful oil producers and one completed as an oil well is presently suspended due to production difficulties. Development drilling on Alminex's producing properties continues at a very slow pace since only marginal locations remain to be tested.

The additional facilities constructed at the Carstairs-Crossfield gas processing plant for higher recovery of propane and butane went on stream in June, 1967, and the sizeable increase recorded in the Company's natural gas liquids is largely the result of this plant enlargement. The Harmattan Leduc Unit's sulphur recovery plant and the producing wells presented many operating problems which delayed full scale production but in December throughput of raw gas and sulphur recovery approached the rated plant capacity. Most of the difficulties now appear to have been solved.

COMPANY OUTLOOK

While exploratory drilling in 1967 failed to find new oil reserves, a probable southeastern extension of the Marten Hills gas field was disclosed. Your Company has 25% to 33⅓% interests in six wells in this field, which is presently shut in but is expected to be on production late in 1969.

The large program of seismic surveys completed in northern Alberta in the winter of 1966-67 resulted in selection of four drilling sites, three on the Meander River holdings and one on the South Bistcho block, all of which will be tested during January-March, 1968. At least one well will be drilled this winter on the Milestone acreage in Saskatchewan. The first well to be drilled on your Company's North Sea rights will be commenced late in 1968.

Moderate increases in your Company's crude oil, NGL and sulphur production are expected in 1968, with an accompanying gain in revenue. It is doubtful whether gas sales will improve this year in view of the delay in completion of the Great Lakes Gas Transmission Company's pipe line.

Mr. P. N. Pitcher resigned as a director at the end of January 1968 and Mr. D. R. De Laporte, Vice-President Western Minerals Division of Falconbridge Nickel Mines Limited, was elected in his place. During his term of office Mr. Pitcher rendered valuable services to your company.

Your Directors wish to record their appreciation of the continuing efforts of all members of the staff during the past year.

THE INDUSTRY

During 1967, the oil and gas industry of western Canada again enjoyed considerable growth. The average daily production of crude oil and NGL was 1,104,300 barrels, an increase of 9% over 1966, substantially greater than the forecast of a year ago. The Middle East war and the disruption of oil supplies from that region, commencing in June, gave rise to abnormally high exports of Canadian oil to the United States, which continued through the third quarter. Thus exports averaged 424,000 bbls./day during 1967, an increase of 21% over 1966. Domestic sales averaged 615,000 bbls./day, an increase of 2%. The demand was actually somewhat higher than this during the second half but Interprovincial Pipe Line Company's capacity was completely filled and priority during the crisis was given to U.S. exports. Early in November, Interprovincial

announced that it was pro-rating all of its Canadian and U.S. customers because demand was still more than 80,000 bbls./day in excess of its throughput capacity.

Production of raw natural gas in western Canada averaged 4,200 MMcf/day, an increase of 10% over 1966. Sales of pipeline gas averaged 3,203 MMcf/day, a gain of 14%. The domestic market used 1,953 MMcf/day of Canadian gas, a growth of 12%, whereas exports of 1,400 MMcf/day showed an 18% increase over 1966. The eastern Canadian demand has outgrown the capacity of Trans-Canada Pipe Lines Limited to deliver, and current requirements are being met by increased imports from the eastern U.S. which, in 1967, averaged 150 MMcf/day. After a painfully long delay, the Great Lakes Gas pipe line was approved in June, 1967, and 160 miles of line from Austin, Michigan, to Sarnia have been completed. The remaining 830 miles of the 36-inch line from Emerson to Austin will be completed by November, 1968. Exports of gas via the several outlets to the U.S. are expected to grow by 14% and domestic sales by 12% during 1968.

Sulphur production from the gas processing plants of western Canada in 1967 was 2,160,000 long tons, an increase of 28% over the previous year. Sales totalled 2,000,000 long tons, a gain of 9.8%, and stock-pile inventories remain at a low level. Production is expected to continue to rise at about 25% annually during the next three years as projected or potential new gas processing plants come on stream. Sulphur is still in short supply and sales will undoubtedly continue to grow for another year or two.

Oil consumption in Canada in 1967 averaged 1,250,000 bbls./day, a growth of 6% compared to 1966. The total included 615,000 bbls./day of Canadian crude oil and equivalent, 445,500 bbls./day of imported crude and 175,000 bbls./day of imported net refined products. Of these imports, practically all of the crude oil and 75% of the products entered Quebec and the Maritime Provinces, the increase, chiefly in refined products, being 10%. In Ontario and the Prairie Provinces, the growth was 3.3% and in British Columbia 5%. During the Middle East crisis, inventories of crude and products were seriously reduced but by the end of September storage was again being built up. Imports from Venezuela into Quebec and the Maritimes in the first half of 1967 supplied 52% of the crude requirements and from the Middle East about 30%, whereas in September Venezuela supplied 80% and the Middle East only 10%. During July, additional help came from the U.S. Gulf Coast, which supplied 14% in that critical month. The vulnerability of Quebec and Maritime refineries to any disruption of the principal off-shore foreign crude sources was amply demonstrated.

In mid-January 1968, Interprovincial was granted the U.S. presidential permit which will allow construction of its planned new loop from Superior, Wisconsin, southward via Chicago thence eastward to Sarnia. Construction will start in the spring on the first section, the 464 miles of 34-inch line from Superior to Griffith, Indiana, just southeast of Chicago. This section will be completed late in 1968, and the remaining 290 miles to Sarnia, of 30-inch diameter, will be built in 1969. Temporary use will be made of the Tecumseh and Buckeye pipe lines for transportation from Griffith to Toledo, Detroit and Sarnia until Interprovincial's link to Sarnia is completed. The heavy program of construction in 1967 on several sections of the 34-inch loop between Edmonton and Superior will be continued in 1968 by an additional 150 miles. The remaining 200 miles will be completed in 1969-70. Delay in connecting new pumping facilities on the Superior-Sarnia line limited deliveries to the eastern markets early in the current winter, but with this barrier removed the present capacity of the Interprovincial system is 677,000 bbls./day to Superior and 566,000 bbls./day from Superior to Sarnia. The added capacity of the Chicago loop will be needed in the winter of 1968-69 to meet the peak demand in Ontario and those U.S. refineries presently served by Interprovincial. The initial volume of Canadian crude to be marketed in the Chicago area and the potential growth rate are matters for conjecture. It has been indicated that U.S. agreement to the Chicago-Sarnia loop was reached through an understanding with the Canadian government as to the over-all rate of growth of Canadian exports into the U.S. during the next several years, and certain short-term restraint on sales in the Chicago market. A large part of the Puget Sound market is in process of being taken over by Alaskan crude, and it remains to be seen whether, during 1968, the growth in exports to the mid-western U.S. will be enough to compensate for the loss at the west coast and, hopefully, record some over-all gain.

A further consideration is the competition posed by the expected completion of the 630-mile 40-inch Capline project, which will deliver Louisiana and Texas crude to Patoka, Illinois, by mid-summer, 1968. The 205-mile 26-inch Chicap Pipe Line, also to be completed this summer, will provide the connecting link from Patoka to Chicago. The opinion is widely held that, in view of the projected massive growth in refining capacity in the Chicago-Toledo-Detroit area, which will

reach 1.5 million bbls./day within two years, both the Interprovincial and Capline sources of supply will be required to meet it. The 25¢ per barrel price advantage of Canadian crude at Chicago will be an important factor, also the preference of certain refiners in the area who have sizeable oil production in western Canada.

The outlook for substantial growth in crude oil and equivalent exports by way of the Chicago-Sarnia loop, beyond 1968, is very encouraging. This assured outlet for increasing amounts of western Canadian oil, coupled with the favourable developments relevant to natural gas and sulphur production and sales, presents a bright future for the industry.

During the year your Company made representations to the Government at Ottawa with respect to the Carter Report. The proposed drastic increase in taxes on companies in the extractive industries would result in a decrease in share values almost confiscatory in nature. While recent statements by senior Government officials indicate that the Carter Report will not be implemented in its entirety, it would be prudent for every Alminex shareholder to make his views known to his local Member of Parliament.

On behalf of the Directors,

F. R. Burton

President

J. B. Webb

Vice-President and
General Manager

Toronto, Ontario
March 1, 1968

Notes on Operations

EXPLORATION

General

Alminex participated in drilling 12 exploratory wells during 1967, seven of which were located in Alberta, two in Saskatchewan, two in the Northwest Territories and one in Ontario. Eleven of these wildcats were dry holes and one, located on the southeast flank of the Marten Hills gas area in north-central Alberta, discovered commercial gas flows in both the Wabiskaw Sand (Lower Cretaceous) and the Wabamun dolomite (Upper Devonian). This well, Home ALMX Marten Hills 10-13-74-24 W4M, probably represents a southeastward extension of the Marten Hills field. Further discussion of the Company's Marten Hills interests is given herein under the heading Development.

Meander River

The general Meander River area embraces several blocks of reservation lands situated from Twp. 112 on the south to Twp. 119 on the north, between Rges. 13 to 23 W5M, lying 50 to 75 miles northeast of Rainbow oil field. In this area, Alminex and Home Oil Company Limited each owns a 50% interest in three reservations totalling 220,000 acres and a 50% interest each in a farm-in of four reservations totalling 320,000 acres. Seismic surveys have been carried out each winter, beginning in December, 1965, and the present survey being conducted on the most easterly farm-in block will complete the general coverage. A dry hole was drilled early in 1967, Home ALMX CEGO Meander 2-25-113-18 W5M, located on the south-central part of the farm-in lands, which earned Alminex a 25% interest in 109,440 reservation acres. A location has been chosen 12 miles to the east in Lsd. 5-25-113-16 W5M on the farm-in lands, to be drilled during February-March, 1968. This well will earn Alminex a 25% interest in 111,360 reservation acres. One well has been drilled this winter and another will be commenced shortly on the lands owned jointly with Home. The first of these, Home ALMX Dizzy 16-27-118-17 W5M, located on the most northerly block (Res. No. 513), was spudded in January and was abandoned as a dry hole at total depth of 4,443 feet in mid-February. The second well, Home ALMX Melvin 10-17-115-23, will be drilled during March and is located on the west block (Res. No. 815). The Keg River formation, at depths ranging from 3,700 to 4,400 feet, is the chief objective in all three wells, with secondary prospects in the overlying Devonian carbonates.

South Bistcho

This block (Res. No. 586) includes 34,560 acres located about 50 miles north of Rainbow field in Twps. 118-119, Rges. 9-10, W6M, in which Alminex owns a 33⅓% interest. Additional seismic work was conducted in 1967 and the first well on this reservation, ARCO et al Bistcho 12-30-118-9 W6M, was commenced in January. The main objective is the Keg River reef at 5,900 to 6,000 feet in depth, with attractive possibilities in the shallower Muskeg and Sulphur Point carbonates.

Milestone, Saskatchewan

The Company acquired a 16⅔% interest in Permit No. 1912 and related freehold leases all of which totals 71,340 acres, located in Twps. 11-13, Rges. 17-20, W2M, about 30 miles north of the Hummingbird oil field. A seismic survey was completed during 1967 and the first well on the block, Can. Sup. et al Milestone 13-14-13-20 W2M, was commenced in mid-February, 1968. The chief prospects for production lie in the Mississippian, at 3,800 feet, and the Nisku (Upper Devonian) at 4,800 feet in depth, but the well will probably be drilled deeper to test the Winnipegosis (Middle Devonian) and the Silurian-Ordovician potential reservoirs.

North Cameron Hills, N.W.T.

Alminex is participating in a farm-in deal on two permits, Nos. 4587 and 4588, totalling 127,388 acres, located in the Northwest Territories just north of the Alberta boundary, and situated along the general northeastward projection of the Rainbow-Zama trend. A seismic program will be carried out during January-March, 1968, and one well will be drilled in the winter of 1968-69, thereby earning the farmees a 50% interest in half of the permit drilled, plus an option to drill a second well in 1969-70 to earn a 50% interest in half of the remaining permit. Alminex will bear 25% of the costs to earn a 12½% interest.

Trutch Creek, B.C.

A re-investigation of this area by seismic mapping is being conducted this winter. Alminex owns an 8⅓% interest in 52,608 acres of leases in the area, which holds some attraction as to Keg River reef possibilities at about 11,000 feet in depth.

North Sea

A large part of the seismic data obtained in the summers of 1965 and 1966 have been converted from the original analog to a digital basis for further refinement of the structural interpretation. A well will be drilled on one of the licences late in 1968. Alminex, through its wholly-owned subsidiary, Alminex (U.K.) Limited, owns a 25% interest in three licences totalling 767,000 acres. Pursuant to an agreement entered into in 1966, Falconbridge Nickel Mines Limited can earn a 50% share interest in Alminex (U.K.) by bearing the 25% share of the cost of drilling the first two exploratory wells.

Arctic Islands

Alminex owns 47 permits totalling approximately two million acres in widely scattered blocks throughout the Arctic Islands sedimentary basin. The Company farmed out all of these permits to Panarctic Oils Ltd., the latter undertaking to maintain the lands in good standing over an initial three-year period thereby earning a major share of the working interest. Alminex can elect to convert its working interest to a net carried or royalty interest. Panarctic's three-year program of exploratory drilling and geological and geophysical surveys will commence this spring.

DEVELOPMENT

General

The Company participated in the drilling of 10 development wells in 1967, six of which were completed as oil wells and four as gas wells. The results are summarized below:—

Swan Hills (Alminex interest 12½%)

Only one well was drilled in this field, Home Regent Swan Hills 10-20-68-11 W5M, located on the west margin. The well has experienced water incursion and low oil productivity, problems which the operator is attempting to overcome.

Mitsue

One oil well was drilled at the extreme south end of the field, Home ALMX KCL Mitsue 10-2-69-3 W5M, in which Alminex owns a 25% interest. Two wells were successful on the east margin of the field farther north, namely, Home ALMX Mitsue 12-30-71-3 W5M and Home ALMX Mitsue 2-30-71-3 W5M, in both of which the Company's interest is 12½%. Plans for unitization and pressure maintenance by water injection are well advanced.

Medicine River (Alminex interest 12½%)

Two oil wells were completed in this field, H.B. et al Medicine River 12-9-39-4 W5M and H.B. et al Medicine River 2-17-39-4 W5M. The producing zone is the Glauconitic Sand of the Lower Cretaceous at 7,300 feet in depth.

Harmattan Leduc Unit (Alminex interest 4.49%)

Two wells were drilled within the Unit area, Can. Sup. Unit Harm. 7-4L-32-4 W5M, which is a relatively poor producer, and Can. Sup. Unit Harm. 11-16L-32-4 W5M, a good gas well. Consideration is being given to drilling one more well in 1968 to augment present deliverability.

Marten Hills (Alminex interest 25% and 33⅓%)

One well, Home Alminex Marten Hills 10-28-74-24 W4M, was completed as a Wabiskaw Sand gasser, located on a natural gas lease in which the Company owns a 33⅓% interest. In previous drilling, four productive wells were drilled on leases in which Alminex owns a 25% interest, hence, including the successful exploratory well already described, Alminex now shares in six potential producers, all presently shut-in awaiting a market. The reserves are under contract to Trans-Canada and deliveries are expected to commence in November, 1969.

West Provost Unit (Alminex interest 6.66%)

On February 15, 1967, the Veteran lease block of 5,760 acres, on which a successful Viking Sand gas well, Alminex North Star et al Veteran 10-3-35-8 W4M, was drilled by Alminex and associates in 1956, was incorporated into the West Provost Unit. To improve deliverability, a well was drilled by the Unit, Spooner Provost 10-10-35-8 W4M, one mile north of the old well, and proved to be a small commercial producer. In July, 1967, Alminex purchased an additional interest in the Unit thereby increasing its share from 2.59% to 6.66%.

UNITIZED GAS PROPERTIES & PLANTS

Harmattan Leduc Unit (Alminex interest 4.49%)

During 1967, the first full year of operation, the various problems of well deliverability and plant processing were gradually overcome, and in December throughput of raw gas and sulphur recovery were close to rated capacity. Cooling facilities were found insufficient for hot-weather operation and additional equipment was added during the annual "turn-around" shut-down in August. The Company's share of the Unit's net sulphur production for the year was 8,000 long tons, compared to 1,200 long tons in 1966, and of sales gas 131.5 MMcf compared to 8.8 MMcf. A considerable improvement in production is expected in 1968.

Carstairs Elkton Gas Unit (Alminex interest 10.15%)

The new facilities constructed at the Carstairs gas processing plant for additional recovery of propane and butane went on-stream early in June, and resulted in an 11% increase in NGL production for 1967, compared to 1966. This was accomplished in spite of gas throughput having decreased by 6% in 1967. A full year's operation of the expanded plant in 1968 will yield a considerable increase in NGL production.

1967 DRILLING RECORD

EXPLORATORY WELLS COMPLETED

(Gross)	DRY HOLES	OIL DISC.	GAS DISC.
Alberta: Southern	1	—	—
Central	4	—	1
Northern	1	—	—
Saskatchewan	2	—	—
Northwest Territories	2	—	—
Ontario	1	—	—
	11	—	1

DEVELOPMENT WELLS COMPLETED
(Gross)

Alberta:	DRY HOLES	OIL WELLS	GAS WELLS
Harmattan Leduc	—	—	2
Marten Hills	—	—	1
West Provost	—	—	1
Medicine River	—	2	—
Mitsue	—	3	—
Swan Hills	—	1	—
	—	6	4
TOTALS	11	6	5

Reserves

Proven and probable reserves of crude oil, natural gas liquids, natural gas and sulphur, estimated as of December 31, 1967, are shown in the following table compared with the estimated reserves as of December 31, 1966:—

	Dec. 31, 1967	Dec. 31, 1966
CRUDE OIL RESERVES (Millions of Barrels)		
Proven Reserves	40.44	41.14
Probable Reserves	7.25	7.20
NATURAL GAS LIQUIDS (Millions of Barrels)		
Proven Reserves	4.50	4.56
Probable Reserves	1.19	.19
NATURAL GAS (Billions of Cubic Feet)		
Proven Reserves	145.96	149.25
Probable Reserves	16.84	8.38
SULPHUR (Thousands of Long Tons)		
Proven Reserves	244	290
Probable Reserves	15	19

The development drilling program added a very minor increase to proven oil reserves. The unitization and pressure maintenance plans at Mitsue warranted a sizeable increase in the estimate of proven reserves, but this gain was partly offset by a reduction of proven reserves at Pembina arising from replacement of miscible by water flooding. After deduction of the year's production, net remaining proven crude oil reserves decreased by 1.7% during 1967.

There were no additions to proven reserves of NGL and the year's production gave rise to a decrease of 1.3%. Probable reserves were increased by one million barrels on the basis of the increased recovery of propane and butane now available due to the new facilities provided at Carstairs plant.

Proven gas reserves, after deducting the year's production, decreased by 2%, despite the addition of two billion cubic feet through the drilling of two wells at Marten Hills. This development also added eight billion cubic feet to the probable reserves.

Proven sulphur reserves decreased by 16% after deduction of the year's production and a downward revision of reserves based upon new reservoir data.

Land

The following table summarizes the Company's land holdings under reservation and lease categories as to gross and net acres including those of Alminex (U.K.), as of December 31, 1967.

	Reservations		Leases		Totals	
	Gross	Net	Gross	Net	Gross	Net
Alberta	660,543	225,543	1,164,789	171,348	1,825,332	396,891
Saskatchewan and Manitoba	161,440	50,906	152,532	37,617	313,972	88,523
British Columbia	—	—	95,857	13,346	95,857	13,346
Ontario	—	—	40,283	7,752	40,283	7,752
Yukon and N.W.T.	753,914	20,440	64,743	1,619	818,657	22,059
Arctic Islands	1,986,823	1,986,823	—	—	1,986,823	1,986,823
North Sea—Alminex (U.K.) (1)	767,158	191,789	—	—	767,158	191,789
	4,329,878	2,475,501	1,518,204	231,682	5,848,082	2,707,183

(1) Subject to the agreement with Falconbridge.

The reduction in total gross acres is the result of the outright surrender of five N.W.T. permits and the conversion to leases of an additional six permits in the North Petitot area. Otherwise the Company's net land holdings remain at about the same total as at the end of 1966.

Producing Interests:

OIL

UNITIZED FIELDS	UNIT INTEREST %		PRODUCTION 1967	PRODUCTION 1966
			(Barrels—after royalty)	
Alberta				
Swan Hills Unit #1	4.59		443,036	382,366
Inverness Unit #1	7.02		145,700	138,927
Virginia Hills Unit #1	3.55		129,573	132,718
Harmattan-Elkton Unit #1	8.81		113,702	111,994
Westward Ho Unit #1	7.65		26,299	23,708
North Pembina Cardium Unit #1	0.42		25,366	24,742
Crossfield Cardium Unit #1	7.80		25,879	28,672
Harmattan East Unit #1	1.17		18,721	18,531
Sundre Unit #1	0.21		1,674	1,693
Pembina Cardium Unit #3	1.88		1,093	1,371
NON-UNITIZED FIELDS	WELLS			
Alberta	Gross	Net		
Mitsue	20	2.88	49,105	41,325
Erskine	21	2.63	21,376	22,007
Freeman	9	0.75	10,801	13,332
Pembina	21	1.88	21,976	21,556
Medicine River	2	0.25	2,741	—
Stettler	1	0.13	1,552	1,496
Inverness	3	0.38	—	1,970
Other non-unit interests	—	—	227	226
Saskatchewan				
Browning-Clarilaw	9	2.13	17,971	21,923
Midale South	1	0.40	9,578	10,356
Ontario				
Willey-Dunwich	7	0.48	3,795	5,486
TOTAL	94	11.78	1,070,165	1,004,399
Daily Average			2,932	2,752

GAS & NATURAL GAS LIQUIDS

UNITIZED FIELDS

	UNIT INTEREST %	GAS PRODUCTION 1967 (MMcf.—after royalty)	GAS PRODUCTION 1966 (MMcf.—after royalty)	NGL PRODUCTION 1967 (Bbls.—after royalty)	NGL PRODUCTION 1966 (Bbls.—after royalty)
Alberta					
Carstairs Elkton Unit	10.15	2,478.062	2,652.254	114,642	88,256
Bindloss Viking Sand Gas Unit	7.97	887.473	913.428	—	—
Retlaw Unit #1	14.87	253.624	243.766	2,841	1,361
Harmattan Leduc Unit #1	4.49	131.601	8.763	—	—
South Elkton Unit #1	11.74	112.343	118.597	3,462	3,758
West Provost Viking Gas Unit	6.66	104.473	—	52	—
Calgary Elkton Unit #1	0.40	103.195	112.732	3,705	4,567
Calgary Crossfield Unit #1	0.02				
Atlea-Buffalo-Jenner Unit	7.38	84.020	81.223	—	—
Crossfield Turner Valley Unit #1	0.09	25.030	16.654	1,187	686
Erskine Gas Unit #1	2.79	30.438	21.547	—	—
Sylvan Lake Gas Unit #1	0.05	5.321	5.718	—	—
Swan Hills-Virginia Hills Area	—	325.127	281.269	—	—
Harmattan-Elkton Unit #1	2.84	—	—	53,998	56,772
Harmattan East Unit #1	0.39	—	—	7,704	8,096
Saskatchewan					
Coleville Smiley Viking Sand Gas Unit	0.28	17.238	20.253		
Hoosier Viking Sand Gas Unit	0.25	9.057	10.288		

NON-UNITIZED FIELDS

	WELLS Gross	WELLS Net	GAS PRODUCTION 1967	GAS PRODUCTION 1966	NGL PRODUCTION 1967	NGL PRODUCTION 1966
Alberta						
Pendor	4	0.60	150.253	314.347		
Braeburn	2	0.55	129.547	275.698		
Total	6	1.15				
ROYALTY INTERESTS			30.170	50.656		
TOTAL			4,876.972	5,127.193	187,591	163,496
Daily Average			13.362	14.047	514	447
OIL + NATURAL GAS LIQUIDS: Daily Average					3,446	3,199

SULPHUR

	PRODUCTION (long tons) 1967	PRODUCTION (long tons) 1966
Alberta		
Harmatton Leduc Unit #1	7,738	1,011
Carstairs-Crossfield	353	314
Calgary Units	91	86
TOTAL	8,182	1,411

ALMINEX LIMITED

STATEMENT OF INCOME

Year ended December 31, 1967 (with comparative figures for 1966)

	1967	1966
REVENUE:		
Production, less royalties	$4,397,132	$3,802,247
EXPENSES:		
Operating expenses	519,886	470,056
Administrative and general expenses (note 5)	142,813	145,863
Exploratory drilling and dry hole costs	244,553	332,473
Geophysical and geological expenses	565,172	144,700
Unproven property expense	264,815	271,938
Interest	129,399	142,114
	1,866,638	1,507,144
Profit before the following write-offs	2,530,494	2,295,103
Property surrendered	37,214	22,080
Depletion	789,000	761,000
Depreciation	280,846	289,340
	1,107,060	1,072,420
Income before income taxes	1,423,434	1,222,683
Income taxes (note 6)	400,000	—
NET INCOME FOR THE YEAR	$1,023,434	$1,222,683

STATEMENT OF DEFICIT

Year ended December 31, 1967 (with comparative figures for 1966)

	1967	1966
DEFICIT AT BEGINNING OF YEAR	$1,322,436	$1,418,203
Adjustment of prior years' depletion	—	367,000
	1,322,436	1,785,203
Net income for the year	1,023,434	1,222,683
	299,002	562,520
Dividends paid	915,050	759,916
DEFICIT AT END OF YEAR	$1,214,052	$1,322,436

ALMINEX

(Incorporated unde

BALANCE SHEET —

(with comparative figure

ASSETS

	1967	1966
CURRENT ASSETS:		
Cash	$ 479,644	$ 244,639
Deposit receipt	200,000	—
Marketable securities, at cost (quoted market value 1967, $12,575; 1966, $9,475)	9,650	9,650
Accounts receivable	409,165	447,256
Inventory, at lower of cost and market	18,410	8,474
Prepaid expenses	8,150	4,198
	1,125,019	714,217
OTHER ASSETS:		
Subsidiary company (note 1)		
Shares, at cost	302	302
Advances	198,426	183,062
Other investments	8,551	2,516
Refundable deposits	60,649	71,741
Special refundable tax	42,766	30,154
	310,694	287,775
PROPERTY, PLANT AND EQUIPMENT (note 2)	43,299,542	42,604,816
Less accumulated depletion and depreciation	8,606,082	7,536,236
	34,693,460	35,068,580
	$36,129,173	$36,070,572

Approved on behalf of the Board:

H. J. FRASER, *Director*

W. F. JAMES, *Director*

LIMITED

he laws of Canada)

DECEMBER 31, 1967

t December 31, 1966)

LIABILITIES

	1967	1966
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 61,027	$ 37,810
Income taxes payable	400,000	—
Special refundable tax	—	12,000
Long-term debt due within one year	672,000	830,000
	1,133,027	879,810
LONG-TERM DEBT:		
Bank loans, secured (note 3)	1,812,000	2,426,000
Less amount included in current liabilities	672,000	830,000
	1,140,000	1,596,000

SHAREHOLDERS' EQUITY

	1967	1966
CAPITAL STOCK (note 4):		
Authorized		
10,000,000 Shares of no par value		
Issued		
7,644,161 Shares (1966 — 7,599,161)	35,000,107	34,847,107
CONTRIBUTED SURPLUS	70,091	70,091
DEFICIT	(1,214,052)	(1,322,436)
	33,856,146	33,594,762
	$36,129,173	$36,070,572

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
ALMINEX LIMITED

We have examined the balance sheet of Alminex Limited as at December 31, 1967 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CALGARY, Alberta,
March 5, 1968.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

ALMINEX LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1967 (with comparative figures for 1966)

	1967	1966
SOURCE OF FUNDS:		
Operations:		
Net income for the year	$1,023,434	$1,222,683
Add items not involving a current outlay of funds		
Property surrendered, depletion and depreciation	1,107,060	1,072,420
	2,130,494	2,295,103
Issue of shares	153,000	—
Increase in long-term debt	—	162,000
	2,283,494	2,457,103
APPLICATION OF FUNDS:		
Acquisition of lands and leases (net)	210,020	59,559
Development	203,320	298,986
Additions to plant and equipment (net)	318,600	688,707
Advances to subsidiary company	15,364	14,392
Increase in special refundable tax, refundable deposits and investments	7,555	27,787
Decrease in long-term debt	456,000	—
Dividends paid	915,050	759,916
	2,125,909	1,849,347
IMPROVEMENT IN WORKING CAPITAL POSITION	157,585	607,756
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	165,593	773,349
WORKING CAPITAL DEFICIENCY AT END OF YEAR	$ 8,008	$ 165,593

ALMINEX LIMITED

Notes to Financial Statements

Year ended December 31, 1967

1. **Subsidiary company:**

The accounts of Alminex (U.K.) Limited, a wholly-owned company participating in a joint exploration program in the North Sea, have not been consolidated in the financial statements because the subsidiary is in the exploration stage and has no profit or loss to December 31, 1967. In 1966 Alminex Limited entered into an agreement with Falconbridge Nickel Mines Limited whereby "Falconbridge" can earn a 50% share interest in the subsidiary by bearing its share of the cost of drilling two wells or a 25% interest by bearing its share of the cost of drilling one well. As at December 31, 1967 no wells have been drilled.

2. **Property, plant and equipment:**

	1967			1966
	Cost	Accumulated Depletion and Depreciation	Net	Net
Proven properties, including development	$37,750,662	$ 6,370,000	$31.380,662	$31,882,060
Unproven properties	1,123,570	—	1,123,570	1,035,046
Plant and equipment	4,425,310	2,236,082	2,189,228	2,151,474
	$43,299,542	$ 8,606,082	$34,693,460	$35,068,580

The company's accounting practice is to transfer total property costs of an area from unproven to proven properties when production commences. Proven property costs, including the costs of drilling productive wells, are depleted on a unit of production method based on the total of estimated proven and probable reserves of oil and gas.

Property carrying charges, cost of dry holes drilled and exploration expenses are charged against income as incurred. Unproven property costs are charged to income when the properties are surrendered.

Depreciation is provided on the diminishing balance method at maximum rates permissible under the Income Tax Act for assets on hand at the beginning of the year and at one half maximum rates for additions during the year.

Certain property, plant and equipment acquired in consideration of the issue of shares in 1959 are at values placed upon them by the Board of Directors. Subsequent additions are for cash.

3. **Bank loans:**

Credit arrangements with two banks require that the loans be repaid in 60 equal consecutive monthly instalments.

The loans are secured by registered general assignments of accounts receivable and general assignments of the company's interest in certain oil properties.

4. **Capital stock:**

During 1967, 45,000 shares of the company's capital stock under option to officers of the company were issued for a cash consideration of $153,000.

5. **Administrative and general expenses:**

Remuneration of officers, who are also directors, aggregated $55,000 ($55,000 in 1966). No directors' fees as such were paid in 1967 or 1966.

6. **Income taxes:**

Under the provisions of the Income Tax Act exploration and development expenditures are deductible in arriving at taxable income. Any such expenditures not deducted in one year may be carried forward to be applied against future income. All available exploration and development costs have been deducted for income tax purposes, except approximately $53,000 which may be deducted from future income from property acquired from a predecessor company. Accumulated capital cost allowances claimed exceed accumulated depreciation recorded by approximately $80,000.

PRINTED IN CANADA BY
GRIFFIN PRESS LTD., TORONTO